STATE OF IOWA
DEPARTMENT OF COMMERCE
BEFORE THE IOWA UTILITIES BOARD

IN RE:	:	
MIDAMERICAN ENERGY COMPANY	:	**DOCKET NO. NOI-2014-0001** **DOCKET NO. TF-2016-0323**

MIDAMERICAN ENERGY COMPANY'S
RESPONSE TO STAKEHOLDER COMMENTS

COMES NOW, MidAmerican Energy Company ("MidAmerican"), pursuant to the Iowa Utilities Board's ("Board") September 27, 2016 Order Docketing Tariff for Further Investigation and Setting Dates for Comments and Responses, and submits its Response to Stakeholder Comments filed in this Docket No. TF-2016-0323.[1]

RESPONSE

In response to the Board's Order Directing Filing, MidAmerican developed a three-year private generation pilot program[2] that seeks and achieves balance among several stakeholder and utility objectives:[3]

- Collect the data necessary to determine whether permanent revisions should be made to the Board's policies;
- Increase the net metering cap to 1 MW;
- Allow all customer classes to net meter energy charges, and provide for annual cash-out of excess credits at the utility's avoided cost; and

[1] The two dockets at issue here are administratively paired. Therefore, MidAmerican responds to comments filed in both dockets related to its compliance tariff.
[2] MidAmerican Net Metering Pilot Tariff, Docket No. TF-2016-0323 (August 31, 2016).
[3] Order Directing Filing of Net Metering Tariffs at 3, Docket No. NOI-2014-0001 (July 19, 2016) ("Order Directing Filing").

- Implement a technology-neutral pilot that allows all forms of private generation to participate in an efficient and economically administered net metering pilot program.

The Board identified specific requirements in its Order Directing Filing. These requirements strike an important balance between the net metering allowances in the Board's rules and the need to have efficient administration of those policies. This is particularly true of the Board's decision to have a single annual cash-out period during the first billing cycle of the year. Requiring multiple cash-out periods will not only upset the balance of the Board's Order Directing Filing, but create unnecessary administrative burdens. This balance should be a high priority as the Board considers the stakeholder comments in this docket.

Further, the Board should consider that the stakeholder comments in this docket are largely supportive of MidAmerican's pilot program. Many of the suggestions offered by stakeholders are merely re-arguments of the Board's policy decisions in the Order Directing Filing, challenging the reasonableness of the Board's objectives. Implementing these suggestions will result in higher administrative costs and a technological bias towards solar generation over all other forms of private generation. As is further identified below, the Board should deny these suggestions, and the careful balance established in the Order Directing Filing should be maintained.

1. The Board Should Maintain Donation Levels in Increments of 25% of the Cash-Out Balance (Above the Initial 50%) Because Allowing Additional Donation Increments of Cash-Outs Increases Utility Administration Costs Without Any Measurable Benefit to Pilot Participants.

The Order Directing Filing establishes that 50% of any annual cash-out amount will be credited toward the utility's low-income assistance program ("Required Cash-out Funds").[4] Customers may either apply the remaining 50% annual cash-out amount to their respective electric bills at the utility's avoided cost rate, or voluntarily donate portions of the remaining cash-out to the

[4] *Id.* at 3-4; MidAmerican's I-CARE program information: www.midamericanenergy.com/help-you-neighbor.aspx

low-income assistance program. The Office of Consumer Advocate ("OCA") encourages allowing the customer to select any percentage of additional contribution to the low-income program; this open-ended proposal would increase the utility's administrative costs.

MidAmerican's compliance tariff allows customers to voluntarily donate an additional 25% or 50% (which results in a total contribution of 75% and 100%) of their total annual cash-out to the low-income program. Allowing 25% donation increments will require programming changes to MidAmerican's billing system. Offering the two donation increments provides the necessary balance to give customers additional contribution options without imposing significant additional administrative costs. Each additional contribution option requires additional time to program into the billing system and additional time to track and manage individual customer contribution elections.

MidAmerican also notes that all customers (including pilot participants) may always donate any dollar amount to utility low-income funds through MidAmerican's I-CARE program or may donate directly to community action agencies in their local community. This provides the same opportunity for participants to donate any amount to the low-income program without the need for additional administrative costs.

Finally, MidAmerican requests the Board clarify two issues pertaining to treatment of the Required Cash-out Funds once they are placed in I-CARE.[5] First, MidAmerican believes that the Required Cash-out Funds (and voluntary cash-out contributions beyond the Required Cash-out Funds) should be allocated to community action agencies throughout the state on a population-proportionate basis. Although MidAmerican currently allocates all I-CARE contributions to community action agencies in the geographic location of the contributor, statewide proportional allocation of Required Cash-out Funds helps ensure that private generation is promoted in all areas

[5] *Id*. at 4.

of the state, not just the more affluent areas where solar is more likely to be developed. Second, the tax treatment of the Required Cash-out Funds is unclear. If the allocation is considered a customer donation, this would arguably be a tax-deductible contribution for which the customer should be credited. On the other hand, the Board rules indicate that the customer has no discretion over the Required Cash-out Funds, so it is unclear whether this qualifies as a customer donation. MidAmerican asks the Board to clarify these issues.

2. The Board Should Maintain the First Billing Cycle of the Calendar Year as the Annual Cash-Out Period Because it Neutrally Applies to All Types of Customer Generation and is Administratively Efficient for Utilities.

Some stakeholders ask the Board to change the timing of the cash-out period from the first billing period of the year to some other timeframe. Luther College and the Joint Environmental Commenters argue that moving the cash-out date to the spring or allowing pilot participants to select their cash-out periods will make it more likely that private solar generation will offset the annual energy requirements of a pilot participant.[6] OCA expresses concern with annual cash-out on the first billing period if it creates burdens on private generation customers.[7]

The Board's Order Directing Filing is clear – the cash-out period shall be in the first billing cycle of the year.[8] MidAmerican's tariff complies with this requirement and the commenters have not provided a sufficient basis for the Board to require changes. Rather, the comments identify the desire to benefit private *solar* generation by applying a spring cash-out that will allow for more credits to be used in the early and less sunny months of the year. This proposed change would benefit one type of private generation over all others, since other types of generation may have different outputs throughout the year.

[6] Luther College Comments at 2, Docket No. TF-2016-0323 (September 12, 2016); Joint Environmental Commenters' Comments on MidAmerican Pilot Net Metering Tariff at 5-6, Docket No. TF-2016-0323 (September 20, 2016).
[7] OCA Response at 4, Docket No. TF-2016-0323 (September 30, 2016).
[8] Order Directing Filing at 3-4.

Applying the cash-out period in the first billing cycle of the year provides certainty and predictability for customers, is administratively efficient, and will not purposefully benefit or promote any one technology over others. A cash-out period that benefits one type of technology to the potential detriment of others risks violating the Iowa Code mandate that utilities provide nondiscriminatory service to its customers.[9]

Further, multiple cash-out periods would be administratively burdensome and would impose unnecessary costs on the utility and its customers. Finally, a common annual cash-out date in the first billing cycle objectively achieves the Board's stated goal "to collect the data necessary to determine whether permanent revisions need to be made to the Board's net metering policies."[10] To avoid any unintended consequences, the Board should retain the annual cash-out date in the first billing cycle, which will maintain the balance established in Order Directing Filing. In any event, the effective date of the pilot tariff and the initial cash-out month should be aligned to preserve a 12-month cash-out period.

3. The Board Should Not Expand the Application of Excess Private Generation Credits Beyond Energy Charges Because the Board has Already Decided This Issue and Such Result Would Be Inequitable.

Luther College encourages the Board to allow net billing credits to offset or reduce the transmission charges of large customers.[11] Not only does this request go far beyond the Board's Order Directing Filing (that clearly only applies to offset energy charges), but allowing these customers to avoid paying their fair share of transmission system costs further exacerbates the subsidy problem created by private generation.[12]

---

[9] *See e.g.* IOWA CODE § 476.8 (2015) ("charge[s]…shall be just and reasonable"); *see also* §§ 476.3, 476.7 (a utility's rates, charges, schedules, service, or regulations should be just, reasonable, sufficient, and non-discriminatory).
[10] Order Directing Filing at 3.
[11] Luther College Comments at 2, Docket No. TF-2016-0323 (September 12, 2016).
[12] Order Directing Filing at 2.

When the Board issued the Order Directing Filing, it was aware that other charges apply to customers, and the Board decided not to expand the reach of the offsets allowed with private generation credits. Implicitly, the Order Directing Filing recognizes that the installation of private generation does not decrease the cost of serving a customer with respect to transmission because it applies the offset to energy charges only. MidAmerican has provided evidence that private generation customers are avoiding paying for the costs of the grid that serves them. For example, a private generation customer uses the energy grid 23.99 hours per day, but under a net metering approach, may be able to avoid payment for all 24 hours of the day.[13] Ensuring that customers pay their fair share for the grid services they use is a critical issue that the Board needs to address as it considers the information collected through the pilot tariffs.

Electric transmission is no different than other costs necessary to serve customers: transmission is required to serve all customers, so all customers must pay a fair share for the benefits realized. Adopting Luther College's proposal here would only serve to worsen the subsidy problem by allowing private generation customers to avoid payment of additional costs. Therefore, those customers without private generation will additionally bear the costs created by the private generation customers. The Board should maintain its clear direction identified in the Order Directing Filing and decline this request to take a step backwards. MidAmerican's tariff clearly complies with the Order Directing Filing.

4. Terminology Matters – MidAmerican Seeks to Simply and Clearly Explain the Customer Generation Process to its Customers.

One stakeholder takes exception to the use of new terminology to describe customer-sited distributed generation resources as "private generation." MidAmerican's goal in using this new language is to expand the understanding of these issues beyond the industry expert economists and

[13] MidAmerican Preliminary Concept at 5-6, Docket No. NOI-2014-0001 (March 28, 2016).

lawyers who have developed their own utility-specific vernacular over the years. Customers that want to develop their own generation (and those that don't) need to be able to engage in this debate and understand the terms we use. MidAmerican's private generation pilot tariff uses clearer, simpler terms that help clarify the process to its customers and non-industry experts. Greater customer understanding could lead to greater participation in the process, which benefits all stakeholders. As long as the information conveyed is accurate, the Board should allow MidAmerican to characterize the mechanics of its private generation tariff to its customers in the manner it chooses.

5. The Request to Identify A "Value of Solar" Is Outside the Scope of This Pilot.

The Board's Order Directing Filing is clear that the cash-out for excess private generation credits will be at the "utility's tariff avoided cost rate."[14] The utilities' respective avoided cost rates are developed by Board-approved methodology. MidAmerican's avoided cost is in its Rate QF tariff.

Despite the clarity of the Board's Order, Luther College asks that the Board expand the scope of its pilot requirements by launching a study into the value of solar generation. Luther College and others made similar requests throughout the Notice of Investigation docket, and Luther College's most recent comments are simply a restatement of prior requests. The Board was well aware of the request to investigate the value of solar when it issued the Order Directing Filing of Net Metering Tariffs. The Board decided not to pursue this option, and there is no reason to do so now.

In fact, while the Board's October 30, 2015 Order reasoned that the utilities must administer pilot programs before value of solar could even be considered, the Board's July 19, 2016 Order Directing Filing narrows its focus by seeking to identify information for future permanent changes to net metering rules and refuses to pursue any value of solar studies. Luther College provides no reason why the Board should reconsider something it has soundly decided several times. To the extent that

[14] Order Directing Filing at 3.

the Board wants to pursue additional study after the net metering pilots end, it is critical that the cross subsidy and cost issue be addressed.[15] In previous submissions, MidAmerican identified that a three-part rate incorporating demand charges for private generation customers is one way to address the cross subsidy issues. MidAmerican will remain open to other ideas, provided they address the cost-shifting issues.

6. Miscellaneous Items

Luther College suggests that customers on the pilot tariff be able to stay on the tariff for 25 years instead of the currently applicable 20-year period. In selecting 20 years, MidAmerican was applying the current tariff requirements (see Tariff Sheet No. 350) in the pilot tariff. This is consistent with the Board's Order Directing Filing.

Finally, concurrently with these comments, MidAmerican files revised Tariff Sheet No. 350 which corrects a typographical error identified by OCA. With regard to the additional language to Tariff Sheet No. 371 suggested by OCA, MidAmerican notes that the suggested language already appears on Tariff Sheet No. 365.

CONCLUSION

MidAmerican's technology-neutral private generation pilot program achieves balance among Board and stakeholder objectives. It will increase available data to allow the Board to assess whether permanent revisions need to be made to the Board's policies. The additional suggestions of stakeholders would delay the process of implementing the tariff, increase the administrative costs of

[15] The design of any value of solar study is critical. In a presentation and in public comments, the Joint Environmental Commenters directed the Board to a value of solar study that their consultant provided to the Maine Public Utilities Commission. Comments of Karl R. Rabago at 14-16, Docket No. NOI-2014-0001 (March 18, 2016). That study was not even identified in a recent rulemaking Order in which the Maine Public Utilities Commission expressed concern that net metering mechanisms result in a shift of the costs from private generation customers to those without private generation. *See* Notice of Rulemaking, Maine Public Utilities Commission, Docket No. 2016-00222 (Sept. 14, 2016). In the Notice, the Maine Public Utilities Commission modified and restricted the net metering allowances, in part to address the cross subsidization of customer funds, and in part to account for the fact that as costs for private generation technologies decrease, smaller state-supported subsidies for private generation are required. *Id.*

implementation, and offer few measureable benefits to customers as a whole. Through the compliance tariff submitted August 31, 2016, MidAmerican will efficiently and cost-effectively facilitate new private generation interconnection and payment while collecting important data to ultimately develop a private generation policy that is reasonable and nondiscriminatory for all customers.

WHEREFORE, for the foregoing reasons MidAmerican Energy Company respectfully requests that the Iowa Utilities Board determine the private generation pilot compliance tariff to be reasonable and allow the pilot to go into effect on January 1, 2017.

Dated this 18th day of November, 2016.

Respectfully submitted,

MidAmerican Energy Company

By *_/s/ Brian J. Rybarik_*
Brian J. Rybarik
Attorney for MidAmerican Energy Company
666 Grand Avenue, Suite 500
P.O. Box 657
Des Moines, Iowa 50306-0657
Phone: (515) 281-2559
Fax: (515) 242-4398
Email: bjrybarik@Midamerican.com